

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS &
SUPPLEMENTAL INFORMATION

June 30, 2004

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

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GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

OFFICIALS
Year Ended June 30, 2004

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kenneth Mutch	Trustee	May 2007
Dennis Brubaker	Trustee	May 2009
Harold Dole	Trustee	May 2005
Edward Ayers	Utilities Manager/Secretary	Indefinite
Mary Harken	A & S Manager/Treasurer	Indefinite

Keith Oltrogge CPA
201 East Main Street
Denver IA 50622

Independent Auditor's Report

To the Board of Trustees
Grundy Center Municipal Utilities

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Grundy Center Municipal Utilities as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Grundy Center Municipal Utilities' management. My responsibility is to express an opinion on these financial statements based on my audit. The municipal utilities are a component unit of the City of Grundy Center, Iowa. The City is audited separately.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the Grundy Center Municipal Utilities as of and for the year ended June 30, 2004, and its indebtedness at June 30, 2004, on the basis of accounting described in Note 1.

As described in Note 12, during the year ended June 30, 2004, the Utilities adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my report dated October 15, 2004 on my consideration of the Grundy Center Municipal Utilities' internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 6 and 17 through 18 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those cash basis financial statements. The supplemental information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the aforementioned financial statements and, in my opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box.

Keith Oltrogge
Certified Public Accountant

October 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Grundy Center Municipal Utilities provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

Because the Utilities are implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the Utilities' financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the Utilities' business type activities decreased 11%, or approximately \$406,000 from fiscal 2003 to fiscal 2004.
- Disbursements decreased 13%, or approximately \$425,000, in fiscal 2004 from fiscal 2003.
- The Utilities' total cash basis net assets increased 7%, or approximately \$379,000 from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The Enterprise Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Enterprise Fund financial statements report the Utilities' operations in detail.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Utilities' budget for the year.

Other Supplementary Information provides detailed information about each Enterprise Fund.

Basis of Accounting

The Utilities maintain their financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE UTILITIES' FINANCIAL ACTIVITIES

Proprietary funds account for the Utilities' Enterprise Funds. Enterprise Funds are used to report business type activities. The Utilities maintain seven Enterprise Funds to provide separate information for the water, sewer and communications funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The Utilities' cash balance increased from a year ago, increasing from \$5.170 million to \$5.550 million. The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Assets

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Receipts and Transfers:		
Program Receipts:		
Charges for service	\$ 2,745,569	\$ 3,214,047
General receipts:		
Unrestricted investment earnings	92,107	123,604
Other general receipts	458,927	365,217
	<hr/>	<hr/>
Total Receipts	\$ 3,296,603	\$ 3,702,868
	<hr/>	<hr/>
Disbursements	\$ 2,917,477	\$ 3,342,945
	<hr/>	<hr/>
Increase in cash basis net assets	\$ 379,126	\$ 359,923
Cash basis net assets beginning of year	5,170,862	4,810,939
	<hr/>	<hr/>
Cash Basis Net Assets End of Year	\$ 5,549,988	\$ 5,170,862
	<hr/>	<hr/>

DEBT ADMINISTRATION

At June 30, 2004, the Utilities had approximately \$2,305,000 in long-term debt, compared to approximately \$2,490,000 last year, as shown below.

	<u>Outstanding Debt at Year-End</u>	
	<u>June 30,</u> <u>2004</u>	<u>2003</u>
Revenue notes	\$2,305,000	\$2,490,000

Debt decreased as a result of regular payments on the notes.

CONTACTING THE UTILITIES’ FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the Utilities’ finances and to show the Utilities’ accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Harken, 706 6th Street, Box 307, Grundy Center IA 50638.

FINANCIAL STATEMENTS

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
Year Ended June 30, 2004

	Disbursements	Program Receipts	
		Charges Services	Miscellaneous
Functions/Programs:			
Business Type Activities:			
Operating and Maintenance Account	\$ 1,786,252	\$ 2,036,229	\$ 134,600
Sinking Fund Account	313,226	-	-
Improvement Account	300	-	35,259
Power Source Account	-	-	2,646
Consumers' Deposit Account	2,830	-	3,154
Reserve Account	-	-	684
Communications Account	814,869	709,340	374,691
Total	<u>\$ 2,917,477</u>	<u>\$ 2,745,569</u>	<u>\$ 551,034</u>
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash Basis Net Assets End of Year			
Cash Basis Net Assets:			
Restricted:			
Debt service			
Unrestricted			
Total Cash Basis Net Assets			

See notes to financial statements.

Net (Disbursements) Receipts
and Changes in Cash Basis
Net Assets

\$ 384,577
-313,226
34,959
2,646
324
684
269,162

\$ 379,126

\$ 379,126
5,170,862

\$ 5,549,988

\$ 2,305,000
3,244,988

\$ 5,549,988

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
ENTERPRISE FUNDS

As of and For the Year Ended June 30, 2004

	O & M	Sinking	Improvement
Operating Receipts:			
Charges for service	\$ 2,036,229	\$ -	\$ -
Miscellaneous	824,239	-	-
Total Operating Receipts	<u>\$ 2,860,468</u>	<u>\$ -</u>	<u>\$ -</u>
Operating Disbursements:			
Business type activities	<u>\$ 2,529,058</u>	<u>\$ 313,226</u>	<u>\$ 300</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 331,410</u>	<u>\$ -313,226</u>	<u>\$ -300</u>
Non-Operating Receipts (Disbursements):			
Transfers in	\$ -	\$ 313,226	\$ 500,000
Interest on investments	53,167	-	35,259
Total Non-Operating Receipts (Disbursements)	<u>\$ 53,167</u>	<u>\$ 313,226</u>	<u>\$ 535,259</u>
Excess of receipts over disbursements	<u>\$ 384,577</u>	<u>\$ -</u>	<u>\$ 534,959</u>
Operating transfers out	<u>-500,000</u>	<u>-</u>	<u>-242,942</u>
Net change in cash balances	<u>\$ -115,423</u>	<u>\$ -</u>	<u>\$ 292,017</u>
Cash balances beginning of year	<u>1,687,130</u>	<u>-</u>	<u>2,361,474</u>
Cash Balances End of Year	<u>\$ 1,571,707</u>	<u>\$ -</u>	<u>\$ 2,653,491</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ -	\$ 1,740,000
Unreserved	<u>1,571,707</u>	<u>-</u>	<u>913,491</u>
Total Cash Basis Fund Balances	<u>\$ 1,571,707</u>	<u>\$ -</u>	<u>\$ 2,653,491</u>

See notes to financial statements.

Power Source	Consumers' Deposits	Reserve	Communi- cations	Total
\$ -	\$ -	\$ -	\$ 727,681	\$ 2,763,910
-	2,840	-	356,313	1,183,392
\$ -	\$ 2,840	\$ -	\$ 1,083,994	\$ 3,947,302
\$ -	\$ 2,830	\$ -	\$ 814,869	\$ 3,660,283
\$ -	\$ 10	\$ -	\$ 269,125	\$ 287,019
\$ -	\$ -	\$ -	\$ -	\$ 813,226
2,646	314	684	37	92,107
\$ 2,646	\$ 314	\$ 684	\$ 37	\$ 905,333
\$ 2,646	\$ 324	\$ 684	\$ 269,162	\$ 1,192,352
-	-	-	-70,284	-813,226
\$ 2,646	\$ 324	\$ 684	\$ 198,878	\$ 379,126
767,777	32,543	200,853	121,085	5,170,862
\$ 770,423	\$ 32,867	\$ 201,537	\$ 319,963	\$ 5,549,988
\$ -	\$ -	\$ -	\$ 565,000	\$ 2,305,000
770,423	32,867	201,537	-245,037	3,244,988
\$ 770,423	\$ 32,867	\$ 201,537	\$ 319,963	\$ 5,549,988

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS –
PROPRIETARY FUNDS
As of and For the Year Ended June 30, 2004

Total Enterprise Funds Cash Balances (page 7)	<u>\$ 5,549,988</u>
Cash Basis Net Assets of Business Type Activities (page 7)	<u>\$ 5,549,988</u>
Net Change in Cash Balances (page 8)	<u>\$ 379,126</u>
Change in Cash Balance of Business Type Activities (page 8)	<u>\$ 379,126</u>

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Grundy Center Municipal Utilities is a city municipal utility for the City of Grundy Center, Iowa. It has a separate governing body, the Board of Trustees, who are appointed for staggered six-year terms by the Mayor and approved by the City Council. The Department maintains its own system of books, records and accounts apart from the City. The City is audited separately.

B. Basis of Presentation

Government-wide Financial Statements-The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the Utilities. For the most part, the effect of inter-fund activity has been removed from this statement. Business type activities, which rely to a significant extent on fees and charges for services are reported separately.

The Statement of Activities and Net Assets presents the Utilities' non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function.

Fund Financial Statements-Separate financial statements are provided for the proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

The utilities reports the following major proprietary funds:

Operating and Maintenance Account – The Operating and Maintenance Account is the general operating account. All user fees and other receipts that are not allocated to some other account are recorded in this account. Items paid from this account include general operating expenses, fixed charges and capital improvement costs that are not paid through other accounts.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sinking Fund Account – The Sinking Fund Account records the payment of interest and principal on the Department's long-term debt.

Improvement Account – This account is for purchases of major capital improvements.

Power Source Account – The Power Source Account is established to accumulate funds to secure an interest in available power from another supply source for future needs of the City.

Consumers' Deposit Account – The Consumers' Deposit Account is utilized to account for consumer deposits received and refunded.

Reserve Account – The purpose of this account is to retain cash reserves for debt service. It is a backup to the Sinking Fund Account, thus ensuring payment of long-term debt.

Communications Account – The Department offers internet, cable TV and telecommunications service to utility customers that desire it. This account was established to record user fees received and operating expenses and capital improvements costs incurred.

C. Measurement Focus and Basis of Accounting

The Grundy Center Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the Department are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and the results of operations of the Enterprise Fund in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 – CASH AND POOLED INVESTMENTS

The Department's deposits at June 30, 2004 were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Department is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Department's investments are categorized to give an indication of the level of risk assumed by the Department at year end. The Department's investments are all Category 1, which means that the investments are insured or registered, or the securities are held by the Department or its agent in the Department's name. The Department's investments at June 30, 2004 are as follows:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
North Iowa Municipal Electric Cooperative	\$120,000	\$120,000

In addition, the Department had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$279,951 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

<u>Year Ending June 30,</u>	<u>Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 200,000	\$ 119,205
2006	205,000	109,526
2007	220,000	99,487
2008	230,000	88,567
2009	235,000	76,985
2010	250,000	65,043
2011	265,000	52,092
2012	275,000	38,215
2013	295,000	23,695
2014	65,000	7,963
2015	65,000	3,998
Total	<u>\$ 2,305,000</u>	<u>\$ 684,776</u>

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 3 – BONDS AND NOTES PAYABLE (continued)

The Electric Revenue Capital Loan Notes and the Telecommunications Revenue Capital Loan Notes are not general obligation notes, nor are they payable in any manner by taxation. They are payable solely and only from the net earnings of the utilities' receipts. The bank holds first lien on the future net revenues of the system. The City of Grundy Center is not liable by reason of the failure of the net revenues to be sufficient for the payment of the notes.

The Electric Revenue Capital Loan Notes are composed of 511 individual notes of \$5,000 each. Interest payments are made semi-annually and principal payments are made yearly.

The Telecommunications Revenue Capital Loan Notes are composed of 140 individual notes of \$5,000 each. Interest payments are made semi-annually and principal payments are made yearly.

NOTE 4 – OTHER OBLIGATIONS

The Utilities have a continuing contract with ACC Business to provide access to the internet. The contract calls for monthly fees of \$2,779 for internet access and service.

The Communications Fund owes the Operating and Maintenance Fund \$709,153.55. Interest of \$2,954.81 per month is being paid. The interest rate is 5%. No principal is being paid at this time.

NOTE 5 – PENSION AND RETIREMENT BENEFITS

The Department contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines IA 50306-9117.

Plan members are required to contribute 3.70% of their annual salary, and the Department is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Department's contribution to IPERS for the years ended June 30, 2004 and 2003 were \$21,869 and \$20,824, respectively, equal to the required contributions for each year.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 6 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Department until used or paid. The Department's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2004, primarily relating to the operating and management account, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 15,461
Sick leave	6,598
Total	<u>\$ 22,059</u>

This liability has been computed based on rates of pay as of June 30, 2004.

NOTE 7 – OTHER INVESTMENTS

The Department is a member of the North Iowa Municipal Electric Cooperative Association (NIMECA), which uses Corn Belt Power Cooperative of Humboldt, Iowa as a power supply source. NIMECA's desire is to obtain long-term transmission and generation of electric power from a common transmission system to benefit the member utilities. The Department has the following investments with NIMECA and Corn Belt:

- a. In 1983, NIMECA required a cash member advance from the Department in the amount of \$120,000. The cash advance earns interest and surplus and credits from NIMECA. The Department's share of the fund's accrued earnings for the current fiscal year amounted to \$35,092. These accrued earnings are not reflected in the Department's cash basis receipts. During the year, \$11,573 was transferred from this fund to the production capital improvement fund (see (b) below). At June 30, 2004, the Department's member advance investment balance with NIMECA was \$548,690.
- b. In 1991, the Department entered into an agreement for the "lease/purchase" from Corn Belt of an interest in electrical generation and transmission facilities. On July 10, 1991, \$1,634,480 was paid to Corn Belt for a .3333% interest in the Neal #4 generating plant and a .4% interest in the Lehigh-Webster transmission facilities.

As part of its cost of purchased power, the Department pays its proportionate share of the expenses (fuel, operations, maintenance, etc.) of the generation and transmission facilities for the life of these facilities, which is the term of this agreement. Should the Department default on its payments, Corn Belt can terminate the agreement and pay back to the Department the depreciated value of the facilities.

Production and transmission capital improvement funds have been established through NIMECA for improvements and expansion of the facilities. The Department paid \$116,301 into these funds as part of its cash disbursements for purchased power during the current year.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 7 – OTHER INVESTMENTS (continued)

The Department's accrued share of the system's improvement costs was \$60,770. The Department's share of the funds' accrued interest earnings for the current year amounted to \$29,473. These accruals are not reflected in the current year's cash basis receipts or disbursements.

As indicated in (a) above, \$11,573 was transferred to the production capital improvement fund from the member advance fund. The balance in the production and transmission capital improvement funds at June 30, 2004 is \$891,596.

- c. The Department also has accumulated deferred patronage dividends of \$30,681 through its participation with NIMECA and Corn Belt. These accrued deferred patronage dividends are not reflected in the current year's cash basis receipts. During the current fiscal year, Corn Belt did not pay any prior deferred patronage dividends to the Department.

NOTE 8 – RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risk are covered by the purchase of commercial insurance. The Department assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – RELATED PARTY TRANSACTIONS

The City of Grundy Center pays the Department monthly fees for electricity and telephone. During the current fiscal year, the City of Grundy Center paid \$83,063.

NOTE 10 – CONTINGENCIES

Accounts receivable totaling \$142,619 from the Department utility customers are currently due. \$115,807 of that total is over ninety days past due.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 11 – INTERFUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Sinking Fund	Improvement Fund	\$ 242,942
Sinking Fund	Communications Fund	70,284
		<u>\$ 313,226</u>
Improvement Fund	O & M Fund	<u>\$ 500,000</u>
Total		<u>\$ 813,226</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 12 – ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the Department’s financial activities.

REQUIRED SUPPLEMENTARY INFORMATION

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

COMPARISON OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
ACTUAL TO BUDGET – ENTERPRISE FUND
Year Ended June 30, 2004

	Actual	Budget	Variance Favorable (Unfavorable)	Net as % of Budget
Receipts:				
Charges for service	\$ 2,745,569	\$ 2,466,400	\$ 279,169	112%
Other income	551,034	408,600	142,434	135%
Total Receipts	<u>\$ 3,296,603</u>	<u>\$ 2,875,000</u>	<u>\$ 421,603</u>	<u>115%</u>
Disbursements:				
Electric and Telecommunications	<u>\$ 2,917,477</u>	<u>\$ 6,246,700</u>	<u>\$ 3,329,223</u>	<u>47%</u>
Excess of receipts over disbursements	\$ 379,126			
Balance beginning of year	<u>5,170,862</u>			
Balance End of Year	<u><u>\$ 5,549,988</u></u>			

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2004

In accordance with the Code of Iowa, the Grundy Center City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

OTHER SUPPLEMENTAL INFORMATION

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Receipts:		
Charges for Service:		
Sale of Electricity:		
Residential	\$ 1,366,590	\$ 1,296,109
Commercial	669,639	621,142
Total Electrical Receipts	<u>\$ 2,036,229</u>	<u>\$ 1,917,251</u>
Miscellaneous:		
Water collection	\$ 315,496	\$ 296,900
Garbage collection	171,872	169,625
Sewer rental collection	152,900	149,751
Sales tax	106,173	109,053
Interest received	53,167	63,336
Corn Belt patronage dividend	-	3,022
Miscellaneous receipts	77,798	82,488
Total Miscellaneous Receipts	<u>\$ 877,406</u>	<u>\$ 874,175</u>
 Total Receipts	 <u>\$ 2,913,635</u>	 <u>\$ 2,791,426</u>
Collections Transferred to City:		
Water	\$ 315,497	\$ 296,900
Garbage	171,872	169,625
Sewer rental	153,116	149,967
Meter rent	2,141	2,192
Sales tax	23,698	22,628
Local option tax	16,293	15,382
Sales tax paid to State	60,189	66,397
	<u>\$ 742,806</u>	<u>\$ 723,091</u>
 Net Receipts From Operations	 <u>\$ 2,170,829</u>	 <u>\$ 2,068,335</u>
Disbursements:		
Electric:		
Administration:		
Salaries:		
Superintendent	\$ 75,428	\$ 71,685
Trustees' fees	1,800	1,800
	<u>\$ 77,228</u>	<u>\$ 73,485</u>
Employee Benefits:		
FICA/Medicare	\$ 23,928	\$ 22,756
IPERS	18,188	17,300

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Disbursements: (continued)		
Electric: (continued)		
Administration: (continued)		
Employee Benefits: (continued)		
Group insurance and claims	\$ 87,404	\$ 85,344
Year's benefit	145	132
Uniform expense	3,356	2,820
	<u>\$ 133,021</u>	<u>\$ 128,352</u>
Regulatory Commission:		
Fees and supplies	\$ 4,696	\$ 3,058
PCB	4,525	3,331
	<u>\$ 9,221</u>	<u>\$ 6,389</u>
Vehicle Expense:		
Gasoline and oil	\$ 6,892	\$ 5,286
Repairs and supplies	9,767	4,375
	<u>\$ 16,659</u>	<u>\$ 9,661</u>
Other Expenditures:		
Insurance	\$ 54,076	\$ 35,368
Telephone	2,786	5,754
Legal fees	-	4,746
Audit fee	2,985	2,725
Travel and training	2,688	4,560
Use tax	5,919	3,470
Dues	5,464	3,563
Publications	940	5,346
Investment and banking fees	489	443
Office maintenance and supplies	1,624	1,561
Miscellaneous	38,996	42,063
	<u>\$ 115,967</u>	<u>\$ 109,599</u>
Capital Outlay:		
Office equipment	\$ 4,726	\$ 4,815
Tools, shop and garage equipment	3,407	3,460
Miscellaneous equipment	9,204	4,830
Transportation equipment	13,602	-
	<u>\$ 30,939</u>	<u>\$ 13,105</u>
Total Administration	<u>\$ 383,035</u>	<u>\$ 340,591</u>
Purchased power	<u>\$ 976,068</u>	<u>\$ 872,259</u>

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Disbursements: (continued)		
Electric: (continued)		
Generation:		
Salaries:		
Operators	\$ 649	\$ 1,530
Plant maintenance	32,481	31,800
	<u>\$ 33,130</u>	<u>\$ 33,330</u>
Other Expenditures:		
Plant maintenance – material	\$ 3,468	\$ 765
Fuel and oil	9,300	33,320
Supplies	3,410	15,740
Miscellaneous	3,177	-
	<u>\$ 19,355</u>	<u>\$ 49,825</u>
Miscellaneous equipment	<u>\$ -</u>	<u>\$ 16,613</u>
Total Generation	<u>\$ 52,485</u>	<u>\$ 99,768</u>
Distribution:		
Line labor	<u>\$ 138,212</u>	<u>\$ 130,212</u>
Other Expenditures:		
Supplies	\$ 157	\$ 1,851
Street lighting and signal maintenance	90	379
	<u>\$ 247</u>	<u>\$ 2,230</u>
Consumer Accounts Expense:		
Meter reading-labor	\$ 5,557	\$ 5,625
Accounting and collection-labor	61,842	58,357
Supplies and postage	11,274	11,924
Returned checks	3,336	1,665
Miscellaneous	-	120
	<u>\$ 82,009</u>	<u>\$ 77,691</u>
Capital Outlay:		
Overhead conductors and devices	\$ 30,869	\$ 14,546
Underground conductors and conduit	9,689	10,851
Transformers	8,708	10,480
Distribution structures	9,306	40,592
Meters	79,160	14,167
Street lights	1,895	3,082
Fiber optics engineering fees	14,569	2,555
	<u>\$ 154,196</u>	<u>\$ 96,273</u>

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
OPERATING AND MAINTENANCE ACCOUNT

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Disbursements: (continued)		
Total Distribution	\$ 374,664	\$ 306,406
	<hr/>	<hr/>
Total Expenses	\$ 1,786,252	\$ 1,619,024
	<hr/>	<hr/>
Excess of receipts over disbursements	\$ 384,577	\$ 449,311
	<hr/>	<hr/>
Other Financing Sources (Uses):		
Transfer out	\$ -500,000	\$ -294,920
	<hr/>	<hr/>
Excess (deficiency) of receipts and other financing sources over (under)		
disbursements and other financing uses	\$ -115,423	\$ 154,391
Balance beginning of year	1,687,130	1,532,739
	<hr/>	<hr/>
Balance End of Year	\$ 1,571,707	\$ 1,687,130
	<hr/>	<hr/>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
SINKING FUND ACCOUNT

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Receipts	\$ -	\$ -
Disbursements:		
Electric:		
Electric Revenue Capital Loan Notes:		
Principal payments	\$ 150,000	\$ 145,000
Interest payments	92,942	99,540
	<u>\$ 242,942</u>	<u>\$ 244,540</u>
Telecommunications:		
Telecommunications Revenue Capital Loan Notes:		
Principal payments	\$ 35,000	\$ 35,000
Interest payments	35,284	36,930
	<u>\$ 70,284</u>	<u>\$ 71,930</u>
Total Disbursements	<u>\$ 313,226</u>	<u>\$ 316,470</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ -313,226</u>	<u>\$ -316,470</u>
Other Financing Sources (Uses):		
Transfer from Improvement Fund Account	\$ 242,942	\$ 244,540
Transfer from Communications Fund Account	70,284	71,930
	<u>\$ 313,226</u>	<u>\$ 316,470</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ -	\$ -
Balance beginning of year	-	-
Balance End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
IMPROVEMENT ACCOUNT

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Receipts:		
Interest	\$ 35,259	\$ 51,729
Disbursements:		
Electric	\$ 300	\$ 300
Excess of receipts over disbursements	\$ 34,959	\$ 51,429
Other Financing Sources (Uses):		
Transfer to Sinking Fund Account	\$ -242,942	\$ -244,540
Transfer from O & M Fund	500,000	294,920
	\$ 257,058	\$ 50,380
Excess of receipts and other financing sources over disbursements and other financing uses	\$ 292,017	\$ 101,809
Balance beginning of year	2,361,474	2,259,665
Balance End of Year	\$ 2,653,491	\$ 2,361,474

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
POWER SOURCE ACCOUNT

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Receipts:		
Interest	\$ 2,646	\$ 5,442
Disbursements:		
Electric	\$ -	\$ -
Excess of receipts over disbursements	\$ 2,646	\$ 5,442
Balance beginning of year	<u>767,777</u>	<u>762,335</u>
Balance End of Year	<u>\$ 770,423</u>	<u>\$ 767,777</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
CONSUMERS' DEPOSIT ACCOUNT
Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Receipts:		
Consumers' deposits	\$ 2,840	\$ 2,062
Interest	314	446
Total Receipts	<u>\$ 3,154</u>	<u>\$ 2,508</u>
Disbursements:		
Electric:		
Consumers' deposit refunds	\$ 2,789	\$ 2,157
Interest paid on consumers' deposits	41	23
Total Disbursements	<u>\$ 2,830</u>	<u>\$ 2,180</u>
Excess of receipts over disbursements	\$ 324	\$ 328
Balance beginning of year	<u>32,543</u>	<u>32,215</u>
Balance End of Year	<u>\$ 32,867</u>	<u>\$ 32,543</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
RESERVE ACCOUNT

Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Receipts:		
Interest	\$ 684	\$ 1,424
Disbursements:		
Electric	\$ -	\$ -
Excess of receipts over disbursements	\$ 684	\$ 1,424
Balance beginning of year	200,853	199,429
Balance End of Year	<u>\$ 201,537</u>	<u>\$ 200,853</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF CASH TRANSACTIONS- ENTERPRISE FUND
COMMUNICATIONS ACCOUNT
Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Receipts:		
Miscellaneous	\$ 356,313	\$ 277,645
Interest	37	1,227
Internet fees	196,086	178,137
Cable TV fees	237,392	212,069
Telephone fees	275,862	181,261
Tax	18,341	-
Total Receipts	<u>\$ 1,084,031</u>	<u>\$ 850,339</u>
Disbursements:		
Telecommunications:		
Internet/phone/cable charges	\$ 622,534	\$ 491,664
Wages	76,137	60,666
Supplies	15,577	21,397
Programming consultants	6,553	7,041
Interest paid	35,284	35,458
Telephone	4,100	2,208
Payroll taxes and benefits	9,869	7,859
Miscellaneous	417	6,130
Sales and other taxes paid	19,574	13,059
E911 fees	10,163	10,372
Dues	1,011	1,081
Trustees' compensation	13,650	-
Capital Outlay:		
Voice communications equipment	-	24,945
Total Disbursements	<u>\$ 814,869</u>	<u>\$ 681,880</u>
Excess of receipts over disbursements	<u>\$ 269,162</u>	<u>\$ 168,459</u>
Other Financing Sources (Uses):		
Transfer to Sinking Fund Account	<u>\$ -70,284</u>	<u>\$ -71,930</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ 198,878	\$ 96,529
Balance beginning of year	<u>121,085</u>	<u>24,556</u>
Balance End of Year	<u>\$ 319,963</u>	<u>\$ 121,085</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2004

Obligation

Electric Revenue Capital Loan Notes:

Date of Issue	July 1, 1998
Interest Rate	4.20-5.15%
Amount originally issued	<u>\$ 2,555,000</u>
Balance beginning of year	\$ 1,890,000
Issued during year	-
Redeemed during year	<u>-150,000</u>
Balance End of Year	<u>\$ 1,740,000</u>
Interest Paid	<u>\$ 92,942</u>
Interest Due and Unpaid	<u>\$ -</u>

Telecommunications Revenue Capital Loan Notes:

Date of Issue	Mar 1, 2000
Interest rate	5.00-6.15%
Amount originally issued	<u>\$ 700,000</u>
Balance beginning of year	\$ 600,000
Issued during year	-
Redeemed during year	<u>-35,000</u>
Balance End of Year	<u>\$ 565,000</u>
Interest Paid	<u>\$ 70,568</u>
Interest Due and Unpaid	<u>\$ -</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

BOND AND NOTE MATURITIES
June 30, 2004

Revenue Notes		
Electric		
Issued July 1, 1998		
Year Ending June 30,	Interest Rates	Amount
2005	4.70%	\$ 160,000
2006	4.75%	165,000
2007	4.80%	175,000
2008	4.85%	185,000
2009	4.90%	190,000
2010	5.00%	200,000
2011	5.05%	210,000
2012	5.10%	220,000
2013	5.15%	235,000
Total		<u>\$ 1,740,000</u>

Revenue Notes		
Telecommunications		
Issued March 1, 2000		
Year Ending June 30,	Interest Rates	Amount
2005	5.40%	\$ 40,000
2006	5.50%	40,000
2007	5.60%	45,000
2008	5.80%	45,000
2009	5.85%	45,000
2010	5.90%	50,000
2011	5.95%	55,000
2012	6.00%	55,000
2013	6.05%	60,000
2014	6.10%	65,000
2015	6.15%	65,000
Total		<u>\$ 565,000</u>

See accompanying independent auditor's report.

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION-
ALL GOVERNMENTAL FUNDS
For the Last Two Years

	<u>2004</u>	<u>2003</u>
Receipts:		
Interest	\$ 92,107	\$ 123,604
Transfers in	813,226	611,390
Charges for service	2,763,910	3,214,047
Miscellaneous	1,183,392	365,217
	<hr/>	<hr/>
Total	\$ 4,852,635	\$ 4,314,258
	<hr/>	<hr/>
Disbursements:		
Operating:		
Business type activities	\$ 3,660,283	\$ 3,954,335
	<hr/>	<hr/>
Total	\$ 3,660,283	\$ 3,954,335
	<hr/>	<hr/>

See accompanying independent auditor's report.

Keith Oltrogge CPA
201 East Main Street
Denver IA 50622

Independent Auditor's Report on Compliance
and on Internal Control Over Financial Reporting

Grundy Center Municipal Utilities
Grundy Center, Iowa

To the Board of Trustees:

I have audited the financial statements of the Grundy Center Municipal Utilities as of and for the year ended June 30, 2004, and have issued my report thereon dated October 15, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my test disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Department's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Department. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved, except for item 04-II-G.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Department's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not provide assurance on the internal control over financial reporting. However, I noted one matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Department's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as item 04-I-A in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above, item 04-I-A, is a material weakness. Prior year reportable conditions have been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Grundy Center Municipal Utilities and other parties to whom the Grundy Center Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Department during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box.

Keith Oltrogge
Certified Public Accountant

October 15, 2004

GRUNDY CENTER MUNICIPAL UTILITIES
Grundy Center, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

04-I-A Segregation of Duties-One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation-I realize that with a limited number of office employees, segregation of duties is difficult. However, the Department should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response-We will continue to monitor this.

Conclusion-Response acknowledged. The Department should continue to segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part II: Other Findings Related to Statutory Reporting:

04-II-A Official Depositories-A resolution naming official depositories has been adopted by the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year ending June 30, 2004.

04-II-B Certified Budget-Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.

04-II-C Questionable Disbursements-I noted no disbursements which would not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D Travel Expense-No disbursements of Department money for travel expenses of spouses of Department officials or employees were noted.

- 04-II-E Business Transactions- There were no business transactions between the Department and Department officials or employees.
- 04-II-F Bond Coverage-Surety bond coverage of Department officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-II-G Board Minutes-No transactions were found that I believe should have been approved in the Board minutes but were not.
- Although minutes of Board proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the minutes did not include a total for the expenditures from each fund and a summary of all receipts.
- Recommendation-The Department should publish minutes as required.
- Response-We will publish minutes as required.
- Conclusion-Response accepted.
- 04-II-H Deposits and Investments-No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Department's investment policy were noted.
- 04-II-I Revenue Bonds and Notes-The Department has complied with the revenue bond and note resolutions.